



# Financial markets survey

24 February 2014

## Doubts return

### WEEKLY ISSUE

#### GLOBAL MARKETS

Last week, unanimous growth of stock markets across the worlds came to a standstill. The American stock market also stopped growing. Decisions of investors were influenced by the FRS decision to taper the quantitative easing program by another USD 10 billion – to USD 65 billion per month.

Statistical data also did not make anyone happy. According to the US Department of Commerce, the number of new homes whose construction was started in the US in January fell 16% compared to the previous month, which is a record-low drop over the last three years.

Nevertheless, European markets completed the third week of growth. European investors who earned less than their American counterparts over the previous year are trying not to neglect an opportunity to make money on the current more or less quiet situation. Since the beginning of the year, the cost of borrowings went down significantly even for problem economies of the euro-area.

During the current week, the market will expect a new portion of data on the US real estate market. Interest will also focus on the Consumer Confidence Index and durable goods orders.

#### STOCK MARKETS

Index	last	week ch.	mon. ch.	YTD
S&P 500 (US)	1836.3	-0.1%	-0.4%	-0.7%
FTSE 100 (UK)	6838.1	2.6%	0.1%	1.3%
MXME (East. Eur.)	188.7	-0.9%	-2.9%	-5.8%
UX (Ukraine)	933.9	0.7%	5.3%	2.6%
RTS (Russia)	1315.5	-2.1%	-5.8%	-8.8%

#### COMMODITIES

Commodity	last	week ch.	mon. ch.	YTD
Wheat. USD/ton	268.0	0.0%	2.3%	0.0%
Steel. USD/ton	495.5	0.1%	-0.4%	-1.4%
Oil. USD/barrel	109.9	0.7%	3.6%	-0.4%
Gold. USD/ounce	1323.3	0.3%	6.9%	9.9%

Source: Bloomberg

[www.pumb.ua](http://www.pumb.ua)

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**MACROECONOMICS**

Last week, the Ministry of Finance managed to raise UAH 600 million to the State Budget of Ukraine by way of selling internal government bonds maturing in five years to the only participant in a tender held on 18 February.

According to information posted on the Ministry of Finance’s website, there are no plans to hold tenders to sell internal government bonds during the current week.

**BOND MARKET**

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**EQUITY MARKET**

Last week, the dynamics of the Ukrainian stock market reflected the dramatic development of political events in Ukraine. Over Tuesday-Wednesday, when strong-armed confrontation in Kiev resumed, the Ukrainian Exchange (UX) Index lost 6.2%. During subsequent two days, when it became obvious that the country’s authorities decided not to continue the strong-armed scenario, the Ukrainian stock market swiftly began growing again. By the end of the previous week, the Ukrainian Exchange (UX) Index grew 0.7% and closed at 933.91 points on Friday, 21 February.

In our opinion, low liquidity of the Ukrainian stock market and low volumes of resources involved in the market will hamper growth of the stock market.

**FOREIGN EXCHANGE MARKET**

Last week, the market registered significant fluctuations connected, in the first place, with the unstable political and economic situation in the country. All these factors were the reason for the hryvnia to depreciate, which lost almost UAH 0.40 to the US dollar over the five days – from 17 to 21 February. Trading on the interbank foreign exchange market ranged within the limits of UAH 8.83-8.86/USD on Monday, 17 February, UAH 8.87-8.91/USD on Tuesday, UAH 9.00-9.05/USD on Wednesday, UAH 9.00-9.05/USD on Thursday, and UAH 9.15-9.25/USD on Friday.

It is very difficult to give any forecast for further development of the market in the current situation. The market can stabilize only after stabilization of the political situation in the country.

Over the previous week, the National Bank of Ukraine did not carry out any interventions.

**LATEST MACROECONOMIC DATA**

Indicator	Value
Industrial output change in January 2014, % year-on-year	-5.0

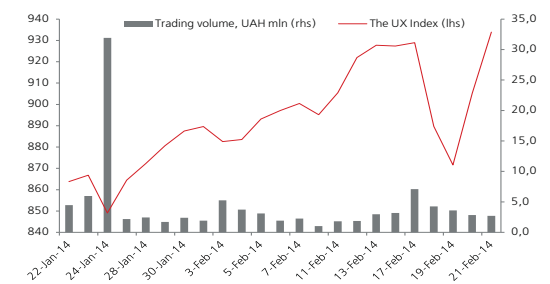
Source: the State Statistics Service

**THE RESULTS OF PLACING INTERNAL GOVERNMENT BONDS**

Date of placement	Type of bonds	Weight. av. rate	Submit./satisfied bids	Funds raised. UAH mln
18 Feb.	1820 days	14,25%	1/1	600,0

Source: the Ministry of Finance of Ukraine

**THE UX INDEX AND TRADING VOLUME**



Source: Bloomberg



### INTERBANK LENDING MARKET

Last week, the situation on the interbank lending market continued to be difficult. By the end of the previous week, the cost of overnight loans soared to 25% again. For the most part of the previous week, the market saw no bargains for loans longer than one week closed in connection with escalating risks. From Monday through Thursday, the balance on correspondent accounts totaled UAH 22-24 billion.



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